



CITY OF WASHBURN, MISSOURI

YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2001-03  
January 29, 2001  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2001

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of an audit conducted by our office of the City of Washburn, Missouri.**

---

In the September 1999 meeting of the Board of Aldermen, the board considered a request for voluntary annexation of a subdivision owned by the Mayor's son. Several lots in the subdivision had previously been owned by the Mayor and his wife until August 1999 when ownership of the lots was transferred to the Mayor's son. Our review of the city's handling of this annexation disclosed the following concerns:

- The annexation issue was presented to the Board of Aldermen in the form of a bill. For the bill to become a city ordinance, the bill must be read twice and approved by the board on both readings. On the first reading of the bill there was a tie between the aldermen and the mayor broke the tie by voting in favor of the annexation of the property. In addition, the Mayor read a statement during the meeting encouraging the passage of the annexation ordinance. Since the Mayor is related to the property owner, these actions create the appearance of a conflict of interest. It appears the mayor should have abstained from voting.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest.

- In addition, the city failed to file annexation documents with the Barry County Clerk's office in a timely manner. The September 1999 board minutes indicate that the City Clerk was to file annexation documents with the Barry County Clerk; however, as of August 2000 these papers had not been filed. After this was brought to the city's attention the annexation documents were filed.

The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances. Examples include water supplies (\$5,180) base rock and cold mix (\$2,208), and a security system(\$834).

The city regularly requests the services of a local contractor to perform water and sewer construction as well as street repairs. Bids are not solicited for these services. For the years ending June 30, 2000 and 1999 the city made payments to this contractor totaling \$8,140 and \$23,020, respectively.

In addition, the city did not solicit requests for proposals for some professional services, such as engineering services (\$2,262) and auditing services (\$3,714).

(over)

YELLOW SHEET

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders.

The budgets prepared by the city for the years ended June 30, 2000 and 1999, did not comply with Chapter 67 of the Missouri statutes (the budget law). The city's budgets did not include projected ending balances or actual revenues and expenditures for the two preceding budget years. The budget prepared for the year ending June 30, 2001 included revenues and expenditures for the two preceding years; however, amounts presented were not complete. For instance, trash revenues and expenditures were not included in the general fund.

The city maintains sixteen bank accounts. Except for separate accounts for the General Obligation and the Combined Water Works and Sewerage System Bonds, it appears many accounts could be consolidated. In addition to the time required to reconcile this number of accounts, an increased number of checks are required to be written and deposits required to be made. Currently, a large number of checks are written to allocate expenditures among the various funds because they are maintained in separate accounts. Depositing procedures are also complicated when a single check is written for payment into various accounts.

Late fees on some utility payments were abated without proper board approval. The city has not periodically performed formal reviews of the water and sewer rates. There is no segregation of accounting duties, and the city does not reconcile utility accounts receivable balances each month.

The Municipal Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel provide independent reviews of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide a reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between receipts and deposits and an independent review of bank statements and bank reconciliations.

CITY OF WASHBURN, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT .....	1-3
HISTORY AND ORGANIZATION .....	4-6
MANAGEMENT ADVISORY REPORT.....	7-22
SUMMARY OF FINDINGS .....	8-9

<u>Number</u>	<u>Description</u>	
1.	Annexation.....	10
2.	Expenditures .....	11
3.	Bank Accounts and Accounting Procedures .....	12
4.	Payroll and Personnel.....	14
5.	Water and Sewer Services.....	15
6.	Budgets, Financial Statements, and Minutes .....	17
7.	City Property .....	18
8.	Street Maintenance Plan .....	19
9.	Municipal Court .....	20

STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
And  
Members of the Board of Aldermen  
City of Washburn  
Washburn, Missouri 65772

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Washburn, Missouri. The city had engaged Mense, Churchwell and Mense, Certified Public Accountants (CPA firm) to perform a financial audit of the city for the year ended June 30, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

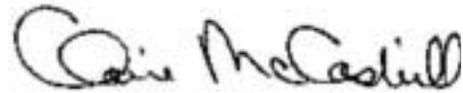
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Washburn, Missouri.



Claire McCaskill  
State Auditor

September 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Donna Christian, CPA
In-Charge Auditor:	Sharon Hill
Audit Staff:	Sandi Ohern, CPA

## HISTORY AND ORGANIZATION

CITY OF WASHBURN, MISSOURI  
HISTORY AND ORGANIZATION

The City of Washburn is located in Barry County. The city was incorporated in 1962 as a fourth-class city. The population of the city in 1998 was 396.

The city government consists of a mayor and four-member Board of Aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 2000 were:

<u>Elected Officials</u>	<u>Term Expires</u>	Actual Compensation for the Year Ended <u>June 30, 2000</u>	Amount <u>Of Bond</u>
Francis Mathis, Mayor	April, 2001	\$ 0	\$ 32,000
Charles Claywell, Board President	April, 2001	0	32,000
Sandy Hayworth, Alderwoman	April, 2002	0	32,000
Paul Wilson, Alderman*	April, 2002	0	32,000
Sue Wilson, Alderwoman	April, 2001	0	32,000
 <u>Other Principal Officials</u>			
Mary Roller, City Clerk/Collector		11,967	32,000
Vicki Holland, City Treasurer/Court Clerk		1,140	32,000
Mark Brooks, Public Works Superintendent		18,139	32,000
Cordelia Herrin, Municipal Judge		554	0
Donald Cupps, City Attorney		239	0

\* Elected in April 2000 to replace Joan Dains.

Assessed valuation and tax rate information for 1999 is as follows:

ASSESSED VALUATION

	<u>1999</u>
Real Estate	\$ 1,297,561
Personal Property	<u>485,078</u>
 Total	 <u><u>1,782,639</u></u>

TAX RATES PER \$100 ASSESSED VALUATION

General	\$ 0.35
Debt Service	0.53

The city had the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	.010	None
Transportation	.005	None
Capital Improvement	.005	None

MANAGEMENT ADVISORY REPORT

CITY OF WASHBURN, MISSOURI  
SUMMARY OF FINDINGS

1. Annexation (pages 10-11)

The Mayor voted to annex property owned by his son into the city limits, which creates the appearance of a conflict of interest. The city failed to file annexation documents with the Barry County Clerk's office in a timely manner.

2. Expenditures (pages 11-12)

The city does not have a formal bidding policy. The listing of bills provided to the Board of Aldermen for their approval is not always complete. Some invoices were not marked paid upon payment by the city.

3. Bank Accounts and Accounting Procedures (pages 12-14)

The city maintains sixteen bank accounts and approximately \$290,000 is deposited in low interest savings accounts. Checks are sometimes signed in advance by the Mayor. Checks and money orders are not restrictively endorsed when received. Rediform receipt slips are issued and some copies of voided receipt slips are not properly voided and retained.

4. Payroll and Personnel (pages 14-15)

The city has not adopted a formal description of the duties of city officials or fixed the compensation of city employees by ordinance. Time sheets do not indicate the hours worked by activity for each employee and time sheets are not adequately reviewed. Volunteer workers are allowed to work at City Hall without proper board approval and the volunteers are not adequately bonded.

5. Water and Sewer Services (pages 15-17)

Late fees on some utility payments were abated without proper board approval. The city has not periodically performed formal reviews of the water and sewer rates. There is no segregation of accounting duties, and the city does not reconcile utility accounts receivable balances each month.

6. Budgets, Financial Statements, and Minutes (pages 17-18)

Budgets prepared by the city for the years ended June 30, 2000 and 1999 did not comply with Chapter 67 of the Missouri statutes. The city's published semi-annual financial statements did not include detailed information. Formal written minutes are not maintained for closed meetings.

7. City Property (pages 18-19)

The city does not maintain complete records to account for all property owned by the city. The city does not maintain a usage log for its tractor.

8. Street Maintenance Plan (pages 19-20)

A formal maintenance plan for city streets has not been prepared.

9. Municipal Court (pages 20-22)

Accounting duties are not adequately segregated. The method of payment is not always indicated on receipt slips. Checks and money orders are not restrictively endorsed when received. Adequate control records to account for partial payments of fines and court costs are not maintained. Monthly listings of open items (liabilities) are not prepared and reconciled to the balance of the bond account. The City Prosecutor does not always sign traffic tickets to indicate his intention to prosecute the related charge, and the Municipal Judge does not always sign the court dockets after case dispositions have been recorded. The former mayor ordered a fine be remitted back to the defendant in April 1999, but no action has been taken on the case.

CITY OF WASHBURN, MISSOURI  
MANAGEMENT ADVISORY REPORT

<b>1.</b>	<b>Annexation</b>
-----------	-------------------

In the September 1999 meeting of the Board of Aldermen, the board considered a request for voluntary annexation of a subdivision owned by the Mayor's son. Several lots in the subdivision had previously been owned by the Mayor and his wife until August 1999 when ownership of the lots was transferred to the Mayor's son. Our review of the city's handling of this annexation disclosed the following concerns:

- A. The annexation issue was presented to the Board of Aldermen in the form of a bill. For the bill to become a city ordinance, the bill must be read twice and approved by the board on both readings. On the first reading of the bill there was a tie between the aldermen and the mayor broke the tie by voting in favor of the annexation of the property. In addition, the Mayor read a statement during the meeting encouraging the passage of the annexation ordinance. Since the Mayor is related to the property owner, these actions create the appearance of a conflict of interest. It appears the mayor should have abstained from voting.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest. To avoid the appearance of conflicts of interest, board members should not participate in decisions regarding related parties. In addition, the Board of Aldermen should consider establishing an ordinance which addresses this type of situation and provides a code of conduct for city officials.

- B. The city failed to file annexation documents with the Barry County Clerk's office in a timely manner. The September 1999 board minutes indicate that the City Clerk was to file annexation documents with the Barry County Clerk; however, as of August 2000 these papers had not been filed. After this was brought to the city's attention the annexation documents were filed. To ensure city taxes are assessed on all property within the city limits, annexation documents should be filed with the County Clerk in a timely manner.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure city officials who have a conflict or an appearance of a conflict, fully disclose their interest and not vote on matters which involve them personally. City officials should avoid transactions which create an appearance of a conflict of interest and the board should consider adopting a code of conduct for city officials.
- B. Ensure annexation documents are filed with the County Clerk in a timely manner.

**AUDITEES RESPONSE:**

- A. *The city plans on adopting a conflict of interest ordinance and will maintain a better paper trail of agreements for future annexations.*
- B. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*

**2.**

**Expenditures**

- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances. Examples include water supplies (\$5,180), base rock and cold mix (\$2,208), and a security system (\$834).

The city regularly requests the services of a local contractor to perform water and sewer construction as well as street repairs. Bids are not solicited for these services. For the years ending June 30, 2000 and 1999 the city made payments to this contractor totaling \$8,140 and \$23,020, respectively.

In addition, the city did not solicit requests for proposals for some professional services, such as engineering services (\$2,262) and auditing services (\$3,714). Section 8.289, RSMo 1994, requires that agencies or political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms. Section 8.291, RSMo 1994, further requires that when negotiating for a contract, the agency or political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected.

- B. The City Clerk provides the Board of Aldermen with a listing of bills each month. This listing includes routine bills that have already been paid and nonroutine bills that have not yet been paid. There were several instances where checks were issued for payment of bills that were not included on the monthly listings. To adequately document the board's review and approval of all disbursements, a

complete and detailed listing of all bills should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes.

- C. Invoices are not always marked paid or otherwise canceled upon payment. Although no duplicate payments were noted, the possibility that an invoice will be paid twice is increased when invoices are not properly canceled.

**WE RECOMMEND** the Board of Alderman:

- A. Establish a formal bidding policy with provisions for documentation of the justification for selecting and rejecting bids. In addition, request proposals for professional services engaged by the city and obtain the information required by state law.
- B. Ensure the listing of bills is complete.
- C. Ensure all invoices or other supporting documentation are marked paid upon payment by the city.

**AUDITEES RESPONSE:**

- A. *We agree and we will consider establishing a bidding policy.*
- B. *In the future, we will add check numbers to the list to ensure it is complete.*
- C. *This has been our practice and we will attempt to ensure that all documents are stamped as paid.*

**3.**

**Bank Accounts and Accounting Procedures**

- A. The city maintains sixteen bank accounts. Except for separate accounts for the General Obligation and the Combined Water Works and Sewerage System Bonds, it appears many accounts could be consolidated. In addition to the time required to reconcile this number of accounts, an increased number of checks are required to be written and deposits required to be made. Currently, a large number of checks are written to allocate expenditures among the various funds because they are maintained in separate accounts. Depositing procedures are also complicated when a single check is written for payment into various accounts.

Consolidating bank accounts would help simplify the city's records and reduce the number of accounts that must be monitored and controlled. Accordingly, the time required to reconcile accounts, write checks and make deposits would be reduced.

In addition, at June 30, 2000, the city had approximately \$290,000 in low interest savings accounts earning only approximately 2.5 percent. It appears these funds could be invested in money market accounts or short term certificates of deposit to earn a higher yield.

To maximize the interest earnings of the city, monies should be maintained in the highest yielding investments possible, while still considering the liquidity needs of the city and security of the funds.

- B. The Mayor, President of the Board of Aldermen, and City Clerk can sign checks issued on the city's bank accounts. Checks require two signatures, however, checks are sometimes signed in advance by the Mayor. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.
- C. Checks and money orders are not restrictively endorsed until the deposit is prepared. To reduce the potential for loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. The city issues rediform receipt slips for some monies. The receipt slips are not specifically printed for the city and receipt books are not consecutively numbered. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received, reconciled to the composition of monies deposited, and the numerical sequence accounted for properly.

In addition, some copies of voided receipt slips were not properly voided or maintained. To ensure that all receipts slips are properly accounted for, all copies of voided receipt slips should be properly defaced and maintained.

**WE RECOMMEND** the Board of Alderman:

- A. Consider consolidating its monies into fewer accounts and maintaining city funds in higher yielding accounts.
- B. Discontinue the practice of signing checks in advance.
- C. Ensure checks and money orders are restrictively endorsed upon receipt.
- D. Issue official prenumbered receipt slips for the monies collected, reconcile the composition of monies collected to receipt slips and bank deposits, and account for the numerical sequence of receipt slips. In addition, all voided receipt slips should be retained.

**AUDITEES RESPONSE:**

- A. *We will consider this recommendation.*
- B. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*
- C. *This recommendation has been implemented.*
- D. *Voided receipts are now retained and we will look into getting official receipt slips.*

<b>4. Payroll and Personnel</b>
---------------------------------

A. The city has not adopted a formal description of the duties of city officials or fixed the compensation of city employees by ordinance. Sections 79.270 and 79.290, RSMo 1994, requires the compensation and duties of city officials and employees to be set by ordinance.

B. Time sheets do not indicate the hours worked by activity for each employee nor has the city performed any other time study to serve as a basis for allocating salary and fringe benefits to the appropriate funds. Currently the city pays salaries and fringe benefits from three funds. Time sheets should be adequately detailed, or some other time study should be performed, to ensure that payroll costs are charged to the appropriate funds.

In addition, time sheets are not adequately reviewed. Time sheets were kept by city employees, but were not submitted to the Mayor or the board for review and approval. To ensure the propriety of salary expenditures and leave taken and earned, adequate time records, signed by employees and reviewed and approved by supervisors, should be maintained.

Properly completed time sheets showing actual hours worked each day by function or activity and time taken off, along with the employee's and supervisor's signatures, are necessary to ensure that payroll expenditures are proper.

C. During the meeting of the Board of Aldermen on May 9, 2000, the board voted to prohibit volunteer individuals from answering the phone or collecting money at city hall without prior approval of the Board. However, there were numerous instances where a volunteer consistently performed the above duties without proper approval of the board. In addition, the bond company will not provide bond coverage for volunteer workers.

The board should ensure its directions are followed and prior board approval is obtained for any volunteer to answer the phone. In addition, access to city monies should be limited to those with bond coverage.

**WE RECOMMEND** the Board of Alderman:

- A. Establish the compensation and duties of all city officials and employees by ordinance as required by statute.
- B. Require time sheets to show the actual hours worked by function or activity and ensure time sheets are submitted to a supervisor for adequate approval.
- C. Discontinue allowing volunteer assistance at city hall without prior approval by the Board of Aldermen and ensure that all individuals with access to city monies are bonded.

**AUDITEES RESPONSE:**

- A. *We will set the compensation and duties of city employees by ordinance.*
- B. *Time sheets are now being approved by the Mayor. The city does not feel that it is necessary or appropriate to break down the time sheets by function because of the cost and expense of doing so.*
- C. *The Board is divided as to how to respond to this recommendation. Three board members agree to this recommendation. While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*

<b>5. Water and Sewer Services</b>
------------------------------------

The city operates a combined waterworks and sewer system that provides service to approximately 240 customers. A review of the city's utility billing and collection records and procedures disclosed the following concerns:

- A. The city has a computerized billing system for the water and sewer customers. This system automatically records a late fee of 10 percent to customer accounts when payment has not been received by the due date, in accordance with the city ordinance. However, late fees on some utility payments were abated without proper board approval. Failure to consistently charge the late fee to all individuals results in inequitable treatment of customers.

To ensure all late fee adjustments to water and sewer billing are proper, the Board of Aldermen should review and approve all late fee adjustments.

- B. The city has not periodically performed formal reviews of the water and sewer rates. The City Clerk indicated water and sewer rates have been unchanged for about the last seven years.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services to ensure rates are set appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as provide documentation to customers of the rationale behind the rates. Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service.

- C.1. There is no independent oversight or adequate segregation of duties related to the city's utility system. The City Clerk performs all functions related to generating monthly utility bills, receipting, recording, and depositing utility payments, recording payments to the individual customer accounts, and following up on delinquent accounts.

To safeguard against possible loss or misuses of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments recorded and deposits, and an independent review of delinquent accounts.

- 2. The city does not reconcile beginning accounts receivable plus monthly billings, less total utility payments and adjustments, to the ending accounts receivable. The individual customer account balances could then be totaled and agreed to the ending accounts receivable balance. This would help to ensure all amounts have been properly recorded to individual customer account records and that delinquent balances are accurate.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure the late fee is consistently charged in accordance with city ordinance, and review and approve any late fee exemptions.
- B. Perform periodic reviews of the costs to maintain utility services, and establish rates to ensure revenues are adequate.
- C.1. Segregate the duties of receipting and depositing monies from that of preparing bills and recording payments. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations

between utility payments deposited and recorded, and an independent review of and approval for credit adjustments and delinquent account follow-up.

2. Ensure records are maintained reconciling beginning accounts receivable, plus billings, less payments and adjustments, to the ending accounts receivable. The individual customer accounts receivable balances should be periodically reconciled to the ending accounts receivable balance.

**AUDITEES RESPONSE:**

- A. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*
- B. *We are currently in the process of doing this.*
  - C.1. *We will consider this.*
    2. *We have plans to implement this recommendation.*

<b>6. Budgets, Financial Statements, and Minutes</b>
--

- A. The budgets prepared by the city for the years ended June 30, 2000 and 1999, did not comply with Chapter 67 of the Missouri statutes (the budget law). The city's budgets did not include projected ending balances or actual revenues and expenditures for the two preceding budget years. The budget prepared for the year ending June 30, 2001 included revenues and expenditures for the two preceding years; however, amounts presented were not complete. For instance, trash revenues and expenditures were not included in the general fund.

In addition, the board does not periodically compare budgeted and actual revenues and expenditures, and as a result, actual expenditures exceeded budgeted amounts for the Water Works Fund during the year ended June 30, 2000.

Sections 67.010 to 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues.

- B. The city's published semi-annual financial statements did not include detailed information but only presented total revenues, expenses, and beginning and ending balances for each fund.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish, semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. Detailed financial statements help to keep the citizens informed of the financial activity and condition of the city.

- C. Formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Aldermen. Formal written minutes for closed meetings result in a better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reasons announced for closing the meeting pursuant to Chapter 610, RSMo 1994.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare annual budgets in compliance with state law, and make periodic comparisons between budgeted and actual expenditures.
- B. Ensure the published financial statements provide adequate detail.
- C. Ensure minutes are prepared for all closed meetings.

**AUDITEES RESPONSE:**

- A. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*
- B. *We will follow the state statutes.*
- C. *Two board members and the Mayor disagree with maintaining minutes for closed meetings. Two board members wish to discuss this issue further.*

<b>7. City Property</b>
-------------------------

- A. The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the water and sewer systems.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the water and sewer system, the city needs to undertake a

comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

- B. The city does not maintain a usage log for its tractor. Logs are necessary to document appropriate use of the tractor and to support fuel charges. The log should include the purpose and destination of each usage and the beginning and ending hourly readings. These logs should be reviewed by the board to ensure the tractor is being properly utilized. Information on the logs should be reconciled to fuel purchases.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish property records for general fixed assets and the fixed assets of the water and sewer systems that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.
- B. Maintain a usage log for the tractor. The log should be reviewed by the board periodically for completeness and reasonableness.

**AUDITEES RESPONSE:**

- A. *We are in the process of preparing property records.*
- B. *Two board members agree that a usage log should be maintained. Two board members and the Mayor disagree that a usage log should be maintained.*

<b>8. Street Maintenance Plan</b>
-----------------------------------

A formal maintenance plan for city streets has not been prepared. A maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input for the plan from city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more

effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the fiscal year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

**AUDITEES RESPONSE:**

*We will discuss this during the preparation of our next year's budget.*

<b>9. Municipal Court</b>
---------------------------

- A. Accounting duties are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel provide independent reviews of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between receipts and deposits and an independent review of bank statements and bank reconciliations.

- B. The municipal court issues prenumbered receipt slips for payments of fines and court costs. The method of payment (cash, check, or money order) is not always correctly marked on the face of the receipt slip.

To ensure receipts are deposited intact, the method of payment should be marked correctly and the composition of receipt slips issued should be reconciled to the composition of deposits. Such a review would help ensure monies are properly handled, recorded and transmitted.

- C. Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- D. The court allows defendants to make partial payments on fines and court costs. The court does not maintain adequate control records to account for total amounts owed to the court. Without adequate accounts receivable records, the court cannot effectively monitor and collect monies owed to the court.

- E. Monthly listings of open items (liabilities) are not prepared and reconciled to the balance of the bond account. To ensure that receipts and disbursements are properly handled and monies held in trust by the municipal court division are sufficient to meet liabilities, open-items listings should be prepared monthly and reconciled to the cash balance.
- F. The City Prosecutor did not always sign traffic tickets to indicate his intention to prosecute the related charges. In addition, the Municipal Judge did not always sign the court dockets after case dispositions have been recorded. To ensure all cases have been properly processed, and the disposition of all cases has been properly authorized and documented, all tickets should be signed by the City Prosecutor and all court dockets should be signed by the Municipal Judge; respectively.
- G. In April 1999, the former mayor ordered a fine that had been paid on a traffic ticket to be remitted back to the defendant, as allowed by Section 79.220, RSMo 1994. As of September 2000, the fine has not been refunded to the defendant and no additional action has been taken on this case.

The city should review this situation with the City Attorney and take the appropriate action regarding the remittance of the fine.

Conditions similar to Parts A, D, and F. were also noted in our prior audit report of the municipal division.

**WE RECOMMEND** the Municipal Division:

- A. Segregate the accounting duties of the Court Clerk. At a minimum, there should be a documented, independent review of the reconciliations between receipts and deposits and of bank statements and bank reconciliations.
- B. Ensure the method of payment is recorded on each receipt slip and the composition of receipts is reconciled to the composition of deposits.
- C. Restrictively endorse all checks and money orders immediately upon receipt.
- D. Maintain an accounts receivable control ledger which shows balances owed to the court and periodically reconcile this control ledger to the individual case files.
- E. Prepare a monthly open-items listing and reconcile this listing to the cash balance.
- F. Ensure the City Prosecutor signs each ticket filed with the court and the Municipal Judge signs all court dockets.
- G. Review this matter with the City Attorney and take appropriate action.

**AUDITEES RESPONSE:**

A. *The Municipal Judge will review receipts, deposits and bank statements on an alternate monthly basis, beginning immediately.*

B-G. *The municipal court will follow these audit recommendations beginning immediately.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*